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enough, that the street railway was progressing very well in the hands of the city officials, and that new tenders should be called for. Nevertheless, on July 21 the council by a vote of 24 to 14 decided in favor of Kiely, and on August 26 by an increased majority determined on the consummation of the contract. An injunction that had been applied for to prevent the city authorities handing over the railway till the charges of corruption had been examined into came to naught. Accordingly, on September 1 the new charter embodying the above provisions was signed, the bonds were transferred, and the road was handed over with all due formalities to the Kiely syndicate.

ARTHUR H. SINCLAIR.

TORONTO, September, 1891.

THE RESIDUAL THEORY OF DISTRIBUTION.

Having long known and admired President Walker's economical writings, I could not possibly suppose him to be hostile to trades-unions. Nevertheless, the general theory of distribution expounded by President Walker in the *Political Economy* and in the pages of this *Journal* seems to me capable, without any wresting, of an interpretation which might be used to "deter workmen from taking action for themselves."

In April, 1888, President Walker wrote in this *Journal*,*—

If, then, it can be shown that, in the distribution of the new product, three of the shares are naturally limited, so that not one of them need increase or, under perfect competition, will increase merely because the product has increased, we are entitled to call the remaining share, which receives the whole gain, residual.

The force of the contrast certainly seems to imply that the remaining share (or wages) need and will increase simply because the product has increased. And in the *Wages Question*,† "Wages are paid out of the product of *present* industry."

* Vol. ii. p. 284.

† Chap. viii. p. 128.

These two dicta, taken together, seem to convey that, when the workmen increase the product, they will get the increase for themselves, not in the long run, but at the time of making, and "merely because the product has increased."

No doubt we are reminded that this will only happen "under perfect competition," and that competition is perfect between masters and workmen only when the latter are sharply looking after their own interests. But, by the premises, all that is needed to secure the increased product to the workmen would seem to be that the employers for their part shall be towards one another in a state of perfect competition. For, if the workmen in a particular industry or under a particular master are getting less than what they could extort when combined, would not the profits of the employers concerned be higher than those of others, and therefore be certain to be reduced by rival enterprise? So long as not all, or even the majority, but only a fraction of the working classes were strong enough to exact wages that left only minimum profits (however these are to be determined), the other workmen might trust to the forces of the market to fight for them.*

The relation of President Walker's views to the older theories seemed to me to be defined most expressly in the following passage:—

While wages must in any philosophical view of the subject be regarded as *paid* out of the product of current industry, wages are to a very considerable degree in all communities *advanced* out of capital, and this from the very necessity of the case.†

By the "philosophical" view is presumably meant the view that has regard to first origins and ultimate issues. If so, it may be philosophical to regard wages as paid out of what once was a present product; but it is hardly so to regard them as paid out of what is now (at the time of payment) the present product; yet this last is expressly said in the two passages already quoted.‡ By "paid" may be meant "repaid"; and in this sense early and late theorists would assent to the prop-

* Compare *Wages Question*, pp. 158, 159.

† *Wages Question*, p. 131. The italics are the author's.

‡ Name!y, *Wages Question*, pp. 128, 131.

osition with cordiality. The most "orthodox" have never denied that wages are paid out of what once was a product. They have never considered capital to be made out of nothing. But the distinctive feature of President Walker's theory, in its full development, is not this ancient verity, but the attribution to the wages-earner of the position of residual claimant; and the question is whether this principle does not bear two applications, one of which, as above described, seems to be as logical a deduction from it as the author's own, but, unlike the author's, is consistent with a policy of inaction on the part of the workmen.

As to the principle itself, it seemed to me to involve an "apparent" (by which I meant *evident*) inversion of the relations of employer and employed. President Walker does not lessen the paradox by suggesting that the workman is to the employer as the landlord is to the tenant. We should certainly be tempted to infer that, as landlords get more by simply waiting for it than tenants get by the same policy, so workmen are to be supposed to get more by simply waiting than employers. On the other hand, he certainly lessens the paradox by conceding that "the laborer's wages are stipulated in advance, and indeed this is of the very essence of wages."* He does not really quarrel with the familiar doctrines that wages are paid out of the product of past industry, and the employer's profits out of the product of present industry, while the "residual claim" is to an estimated future product, of which the workman only secures the lion's share if he is stronger than the employer. But, while many of us would call the past product "capital," President Walker would call it present product, if only in a philosophical sense.

JAMES BONAR.

AUGUST 8, 1891.

* In this *Journal*, vol. v. p. 421, July, 1891.